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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 L-03 PA-01 PRS-01 DHA-02 /087 W
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R 051235Z APR 77
FM AMCONSUL MILAN
TO AMEMBASSY ROME
INFO SECSTATE WAWHDC 5330
AMCONSUL NAPLES
AMCONSUL TURIN UNN

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E.O. 11652: N/A
TAGS: EFIN, EINV, IT
SUBJECT: DOW OFFICIAL ARRESTED FOR ALLEGED CURRENCY CONTROL VIOLATION

1. SUMMARY. DOW CHEMICAL SUBSIDIARY DOW, LEPETIT OFFICIALS WERE INDICTED ANDONE ARRESTED IN MILAN OVER WEEKEND. CHARGE IS THAT COMPANY EVADED ITALIAN CURRENCY CONTROL LAWS THROUGH INVOICING PRACTICES. DOW LEPETIT CLAIMS TOTAL INNOCENCE AND THAT MANAGING DIRECTOR, NOW BEING HELD IN BRINDISI, WILL SOON BE RELEASED. END SUMMARY.

2. SUNDAY, APRIL 3, MILAN PAPERS CARRIED FRONT PAGE ARTICILES ON ARREST OF TITO MONTESSORI,MANAGING DIRECTOR OF DOW-LEPETIT FOR ALLEGED CURRENCY VIOLATIONS. GIUSEPPE VIOLINI, FORMER MANAGING DIRECTOR (UNTIL FOUR WEEKS AGO) AND NOW DIRECTOR FOR EUROPEAN AND AFRICAN AFFAIRS FOR DOW-LEPETIT, WILL ALSO BE ARRESTED UPON HIS RETURN FROM SWITZERLAND. ACCORDING TO CHARGES FILED BY PROSECUTOR IN BRINDISI, DOW-LEPETIT SOLD FOREIGN CUSTOMERS RIFAMPICINA, ANTIBIOTIC DRUG USED IN TREATING TUBERCULOSIS AND VENEREAL DISEASES, AT
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INVOICED VALUE OF $500 PER KILO WHEN PRICE ESTABLISHED BY ITALY'S PRICE CONTROL LAWS IS MORE THAN TWICE THAT, $1200 PER KILO. PROCEEDS FROM DIFFERENCE BETWEEN INVOICED VALUE AND ACTUAL VALUE WERE THEN NEVER RETURNED TO ITALY, DOW-LEPETIT THEREIN VIOLATING ITALY'S CURRENCY CONTROL LAWS. THE RIFAMPICINA HAD BEEN MANUFACTURED BY DOW-LEPETIT'S BRINDISI FACTORY, AND IT IS THERE THAT MONTESSORI WAS TAKEN

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AFTER HIS ARREST IN MILAN TO AWAIT HEARING. WORKERS FROM THE BRINDISI FACTORY APPARENTLY BROUGHT THE MATTER TO ATTENTION OF THE PROCURATORE AND GUARDIA DI FINANZA WITH POSTERS THEY HAD WRITTEN AND DISPLAYED DESCRIBING THE RIFAMPICINA SALES.

3. DOTT. POLI SANDRI, VICE PRESIDENT FOR THE PUBLIC RELATIONS, TOLD ECON OFFICER APRIL 4 THAT:

A. DOW-LEPETIT COMPLETELY INNOCENT OF ANY UNDER TABLE TRANSACTIONS. THEIR RECORDS ARE COMPLETELY OPEN TO FINANCE AUTHORITES AND HAVE BEEN OPEN IN PAST.

B. DOW-LEPETIT HAS IN FACT SOLD DRUG IN ITS RAW UNPACKAGED FORM AT $500 KILO TO SOME CUSTOMERS OUTSIDE ITALY AS CHARGED. BUT IN ALL CASES COMPANY WAS PAID ONLY INVOICED VALUE, $500/KILO. THE $1200 MAXIUMUM PRICE IS BASED ON PRODUCT'S VALUE IN FINISHED AND PACKAGED CAPSULES.

C. COMPANY HAS NOT YET BEEN INFORMED OF THE EVIDENCE ON WHICH INDICTMENT IS BASED, BUT SHOULD KNOW THIS WEEK DURING INTERROGATION OF MONTESSORI. POLI SANDRI WILL PROVIDE US MORE DETAILS WHEN SPECIFIC EVIDENCE IS KNOWN.

D. ANOTHER COMPANY CIBA GEIGY, (SWISS) ALSO SELLS RAW DRUG AT SIMILAR PRICES BUT IT IS NOT AS LARGE OR WELL KNOWN AND HAS NOT BEEN INVESTIGATED.

E. VIOLINI, ALSO INDICTED, IS NOT RETURNING TO ITALY FOR LIMITED OFFICIAL USE

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PRESENT TIME. HE WILL REMAIN IN SWITZERLAND "FOR A FEW DAYS UNTIL THE MATTER IS CLEAR."

F. PROSECUTER IS YOUNG, LEFTIST, AND TRYING TO MAKE NAME FOR HIMSELF, CLAIMED POLI SANDRI. HE IS MAKING ACCUSATION ONLY ON ASSUMPTION THAT COMPANY WOULD NOT SELL DRUG SO MUCH BELOW LEGAL MAXIMUM UNLESS THERE WERE SOMETHING SHADY INVOLVED.

G. ENTIRE AFFAIR SHOULD BE CLEARED UP AND COMPANY'S INNOCENCE SHOWN WITHIN NEXT FEW DAYS.

3. COMMENT. POLI SANDRI'S VERSION SHOWS LEPETIT TO BE WHITE AS A DOVE. GIVEN THAT DOW IS AMERICAN OWNED MULTINATIONAL AND LARGEST PHARMACEUTICAL SUPPLIER IN ITALY, MONTESSORI AND VIOLINI ARE NOT SMALL FISH. CURRENCY VIOLATIONS ARE ALSO BIG NEWS IN ITALY PRESENTLY, AND IT WOULD SEEM UNLIKELY THAT GUARDIA DI FINANZA, USUALLY TOUGH AND WELL RESPECTED, WOULD JUMP INTO THIS TYPE AFFAIR WITHOUT SOMETHING HARD

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TO GO ON. IF MONTESSORI AND VIOLINI WERE CLEARED WITHIN FEW DAYS' TIME, AS POLI SANDRI PREDICTS, HE MATTER WOULD CERTAINLY PROVE EMBARRASSING FOR GUARDIA VIGILS. POLI SANDRI'S COMMENTS WERE PROBABLY MADE WITHOUT HIS HAVING HAD TIME TO BE COMPLETELY INFORMED ON SUBJECT, AND WITHOUT HIS KNOWING EXACTLY HOW MUCH TO TELL US. ECON OFFICER CAME AWAY SATISFIED THAT HE DID NOT KNOW ALL DETAILS.FINA

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Control Number: n/a
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
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Disposition Date: 22 May 2009
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Disposition History: n/a
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Original Handling Restrictions: n/a
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Review Release Event: n/a
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SAS ID: 2894779
Secure: OPEN
Status: NATIVE
Subject: DOW OFFICIAL ARRESTED FOR ALLEGED CURRENCY CONTROL VIOLATION
TAGS: EFIN, EINV, IT, US, DOW-LEPETIT, (MONTESSORI, TITO), (VIOLINI, GIUSEPPE),
To: ROME
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/351eefa9-c288-dd11-92da-001cc4696bcc
Review Markings:
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